



## **Construction Careers Initiative**

1. Prevailing Wage
2. Living Wage
3. Training opportunities

Mike Cunningham, Director,  
TX Building Trades



# Building a Better Austin

*A Contracting Policy that Helps  
Workers, Taxpayers and Businesses*

**LiUNA!**

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# The High Cost of Low Road Construction

Low-bid contracting creates a false economy because the initial savings are erased over the long-term because of inferior performance leading to additional costs.

- Low Wages
- Unskilled Workers
- Construction Delays
- Cost Overruns
- Shoddy Workmanship
- Worker Health and Safety



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# The Hidden Costs of Low Wages

**When contractors pay very low wages, taxpayers often have to pay twice – once for the contract itself and then again for the public services, such as:**

- **Medicaid**
- **Welfare Benefits**
- **Food Stamps**
- **Women, Infants and Children Program (WIC)**
- **Earned Income Tax Credit**



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## Hidden Costs of Low Wages Example

- A study by the University of California Institute for Labor and Employment estimated that the state of California spends \$10.1 billion every year in public assistance for working families with full-time jobs that paid less than \$8 per hour—nearly half of the state’s total expenses on these programs.
- Similar studies have demonstrated corresponding public costs attributable to low-wage employers in New York, Wisconsin and Illinois.



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# Critical Shortage of Trained Workers

- According to the Center for Construction Industry Studies at UT, there is a skilled labor shortage in the construction industry. However, the shortage is not a lack of bodies, but a lack of trained and skilled people.
- The study recommends that developers should insist on construction training as part of the procurement process.



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# Prevailing Wages Remain Low in the Austin Construction Market

- Prevailing wage for Laborers in Austin is a poverty wage of \$7.57 per hour.

## Construction Jobs By Federal Poverty Guidelines

STATE OF TEXAS		
	Workers below poverty level	Workers above poverty level
2005	172,816	742,276
2010	210,206	742,669
% change	<b>+21.60%</b>	<b>+0.10%</b>
AUSTIN		
	Workers below poverty level	Workers above poverty level
2005	9,063	59,753
2010	14,593	52,033
% change	<b>+61.00%</b>	<b>-12.90%</b>



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# Public Dollars Creating Public Good

**The Construction Careers Initiative would:**

- **Ensure living/prevaling wages for all construction workers.**
- **Create construction career opportunities for disadvantaged residents that complete training programs.**
- **Cut down on preventable injuries and uncompensated health care costs by supplying OSHA 10 and Workers Compensation for all construction workers.**



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# Higher Wages, Higher Productivity

- More than 140 cities and 1 state (Maryland) have adopted living wage laws, usually set in the range of \$10 to \$15 per hour.
- Studies have found that construction workers who receive higher wages and quality training are at least 20 percent more productive than less skilled and lower paid workers.



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# Higher Wages, Real Benefits for Austin

- **Support Responsible Businesses**
- **The “multiplier effect” puts more money in the community**
- **Keep Austin strong and healthy, Improve quality of life**
- **A study found that the repeal of wage laws in nine states correlated with significant increases in cost overruns and delays on construction projects and a workforce that was less skilled and less productive.**



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# **Paying Living Wage on City-Incentivized Projects Won't Hurt Other Sectors of the Austin Construction Market**

- **Contractors already pay varying rates on public and private sector construction, as well as building, residential, heavy highway, etc.**
- **Contractors are accustomed to bidding differently on Davis Bacon Prevailing Wage Projects versus other private sector projects.**



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# Skilled Workers, Better Workers

- **Construction training provides workers with a pathway for long term employment and advancement in the industry and a return on investment for employers.**
- **A Canadian study found that on average for each dollar invested in construction training, the employer derived a benefit of \$1.38.**



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# Safety Training Saves Lives

- Research on over 8,000 construction laborers found that workers who received safety and health training were 12% less likely than untrained workers to file for workers compensation. Among workers 16 to 24 years old, training was associated with a 42% reduction in claims.
- In Washington state, researchers found that OSHA 10 training reduced workers' compensation claims by 34 percent.



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# Austin Has Access to the High Quality Construction Training

- LIUNA provides career-building training to 150,000 workers per year
- 70 training centers
- DOL, IAS accredited training

**CONSTRUCTION  
CAREER CENTER**

A Partnership for Better Jobs and Stronger Communities in Austin



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**Thank You to  
The City of Austin,  
The Mayor,  
The City Council,  
The Special Committee  
on Economic Incentives,  
and Citizens of Austin**

# City of Austin Living Wage Resolution



*Resolution 020509-91, May 2002:*

Be it resolved by the City Council of the City of Austin that the Austin City Council hereby endorses and fully supports the adjustment of the federal minimum wage to an amount equal to the **Universal Living Wage Formula** which ensures that a 40 hour a week minimum wage worker can afford at least an efficiency apartment anywhere in the United States while not spending more than 30% of their income on housing.

*Universal Living Wage Formula  
for Austin-Round Rock-San  
Marcos MSA*

Year	Wage
2010	\$13.23
2011	\$13.34
2012	\$13.71

# Protecting Wages: within budget?

High-estimate budget impact of a **\$12 per hour wage floor** to construction.

- Study conducted with the Ray Marshall Center at University of Texas.
- Surveys distributed by UT, WDP, Associated General Contractors, and local developers.



# Protecting Wages: within budget?



## Initial Results:

- Respondents are large firms included in Austin & Dallas Business Journals' lists of most successful commercial contractors
- **Estimate for \$12/hour wage floor: 0.2% to 1.0% of construction cost**



# Case study

## Prevailing Wage with living wage floor

*Source: City of Austin commercial construction project 2012*



<b>Construction budget on private sector (no wage protections)</b>	<b>95.85%</b>
<b>Construction budget public sector (prevailing wage)</b>	<b>100%</b>
<b>Prevailing and Living wage protected for all workers on project</b>	<b>100.45%</b>

# Wages, Safety, Training



# Career Paths



- **State of Oregon: Clean Energy Works**
  - **\$15.84 wage floor**
  - All work is completed by **disadvantaged workers** that are **training school graduates**
- **Travis County staff proposal**
  - Hiring of disadvantaged workers who are graduates of training programs

# Summary



- **City's formula determines living wage: 13.71 in 2012**
- **Wage impact from 0.2% to 1% at most**
- **Perceived "costs" can be eliminated by higher efficiency and productivity**
- **City benefits from quality of life to lowered tax burden**
- **Training and hiring a large positive impact on low-income communities**

# A Responsible Contractor's Perspective:

Jimmy Schmidt, J.S. Electric



# Austin Interfaith

## Creating Good Construction Jobs for Austin



# Construction Jobs

- ▶ Wages – \$12 minimum\* or prevailing wage whichever is higher
- ▶ Safety
  - OSHA 10 Safety training
  - Workers' Compensation Insurance
- ▶ Career Path
  - Companies receiving incentives financially support and hire from workforce training programs, i.e. Construction Career Center, into higher paying jobs

\* Exceptional benefits package can be considered

**The Liveable City Board of Directors** supports the following concepts presented by the Workers Defense Project in its "Premier Community Builders" program and encourages the Council Subcommittee on Economic Incentives to require these as conditions for any construction project receiving City of Austin incentives.

## *Guarantee a living wage*

along with workers' compensation insurance; **this guaranteed minimum hourly wage will keep pace with the City of Austin living wage matching any future increases by the City.**

## *Create equitable opportunities for Austinites*

Require that construction businesses hire a percentage of workers from technical schools that train disadvantaged residents and the hard to employ.



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# For a Sustainable Economy, Environment & Democracy

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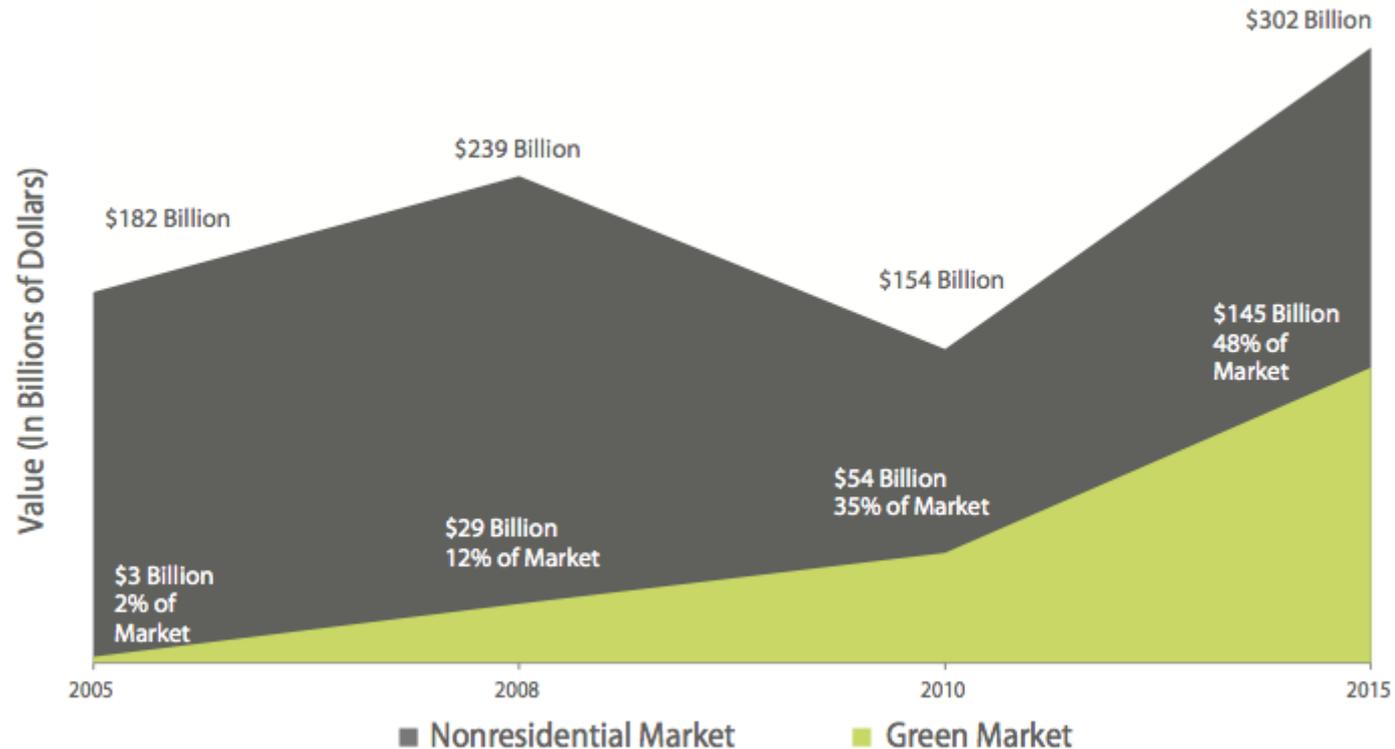


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# Climate Protection & Economic Development

Figure 17: Opportunity for Green Building in New Non-Residential

Green =  
48%  
Market  
Share



Source: Green Market Size: 2011 Green Outlook Report, McGraw-Hill Construction; base value of construction market from McGraw-Hill Construction Market Forecasting Service, September 2010.



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# Green Buildings, Good Jobs & Pathways Out of Poverty

Leverage any incentives and/or  
subsidies to require developers to:

- Meet or exceed 2012 International Energy Conservation Codes in new commercial/mixed-use buildings
- Honor existing environmental ordinances such as the Heritage Tree Ordinance
- Provide a prevailing wage for high-skilled workers and a mutually-agreed upon living wage floor for lower-skilled workers
- Hire a percentage of workers from bilingual training programs that cater to disadvantaged workers



Photo courtesy of SeeMan, Inc.